

NOT FOR PUBLICATION UNTIL
RELEASED BY THE HOUSE
SUBCOMMITTEE ON MILITARY CONSTRUCTION,
VETERANS AFFAIRS, and RELATED AGENCIES,
COMMITTEE ON APPROPRIATIONS

STATEMENT OF

THE HONORABLE LUCIAN NIEMEYER

ACTING ASSISTANT SECRETARY OF NAVY
(ENERGY, INSTALLATIONS AND ENVIRONMENT)

BEFORE THE

HOUSE SUBCOMMITTEE ON MILITARY CONSTRUCTION,
VETERANS AFFAIRS AND RELATED AGENCIES

of the

COMMITTEE ON APPROPRIATIONS

MARCH 3, 2020

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Good morning Chairwoman Wasserman Shultz, Ranking Member Carter and distinguished members of the Subcommittee. Thank you for the opportunity to discuss the programs and policies within the Department of the Navy's housing program. Over the last year, the DON focused on three areas: restoring resident trust, reestablishing active and engaged leadership on this issue, and reinforcing DON oversight. We have made substantial progress to ensure our housing privatization initiatives provide safe, secure, quality housing for our military members and their families; we know this is a key part of their quality of life, which allows us to recruit and maintain the most powerful Navy in the world. We also know that our tenants are our first line of quality assurance for work performed by the seven companies we have agreements with to maintain our housing inventory.

The Department of the Navy currently owns, operates or leases 10,500 residences predominantly overseas, while the remaining 62,713 family homes are privatized. Our PPV projects are currently financially stable, and our business agreements with each of our partners allow us direct access to applicable PPV databases to monitor work. While we continue to see high occupancy rates averaging over 94% for our privatized housing, we have more work to ensure service members and their families are provided quality service. We are also working to implement the intent of Congress in the Military Housing Privatization Reform, the most substantial overhaul of the Public Private Venture (PPV) initiatives since authorizing the concept in 1996.

Restoring Resident Trust

The DoN has tangible initiatives in place to restore resident trust of residents. We are hiring additional advocates for housing offices administrative support, home inspections, and maintenance to increase responsiveness and performance. To date, we have hired 101 new

personnel out of the 297 new billets and are on track to complete all hiring actions by the end of the fiscal year.

Recognizing this issue is not limited to the DoN, we have reached out across the Joint Force to aggressively pursue solutions that benefit every American who wears the uniform today while providing the best value possible to the American taxpayer. The military Departments have affirmed their commitment to a Resident Bill of Rights and a Resident Responsibilities document. We are dedicated to ensuring these rights are more than aspirational goals on a piece of paper. They must result in tangible improvements for our residents to access. Of the 18 rights, we have identified a few (maintenance history, dispute resolution, rent withholding) that our residents will need a transparent process to exercise their rights. We are working with the Landlords to put those processes into the signed lease agreements to hold them accountable. As such, we have led the tri-Department effort to standardize a Common Lease for military members and housing providers to understand and enforce certain rights. It includes a list of specific resident responsibilities consistent with similar documents in the commercial sector to underscore common expectations for care of the home.

We are in the process of adding annexes to the Common Lease to ensure consistency with recent congressional direction. Specifically, we have also taken point on negotiating with the partners to incorporate a formal Dispute Resolution Process in each agreement. This is an extremely important initiative to get right, as it will be a consistent tool for our tenants to easily resolve conflicts within a prescribed process and independent adjudication.

In the interim, we have renewed efforts to strengthen our existing informal issue resolution processes to reinforce local Housing Office engagement in resolving resident concerns. When families have a maintenance or service-related issue, they are directed to first contact the PPV Property Management Office. The housing service center and installation commanding officer will advocate for Service members and families that are not satisfied with property manager results. Region Legal Service Offices and the Marine Corps Legal Support Sections are also available to provide free legal advice and consultation to military tenants and their families living in PPV housing.

While we have made significant progress, there is still work to be done. We conducted Out-of-Cycle Resident Satisfaction Surveys across the Navy and Marine Corps, and are monitoring the steps that our PPV partners are taking to regain trust. From Corrective Actions Plans to address premature work order closeouts or lack of follow-up, to realistically capturing the current condition of home offerings versus a model home, this forms the foundation of an honest and transparent relationship with residents.

We are enhancing partnerships with several military and veteran service organizations including the National Military Family Association, the Military Officers Association of America, the Fleet Reserve Association, Blue Star Families and the Military Family Advisory Network. These partnerships are focused on addressing communication difficulties, quality of maintenance work performed, government advocacy for residents, and environmental health concerns.

In order to equip our residents with the knowledge and information they need to ensure the upkeep of their homes, partners are now regularly including information in their monthly newsletters regarding changing of filters, what to expect when the heat comes on, etc.

The Commander, Navy Installations Command (CNIC) has revised training to reflect new guidance and lessons learned over the past several months. CNIC has updated its Navy Privatized Housing Course and is in the final stages of rolling out revised training courses for Housing Referral, and Issue Resolution and Dispute Resolution to reflect Congressional intent. The Marine Corps Order (MCO) on housing is being revised and incorporates a chapter to address health and safety concerns. The Navy Bureau of Medicine and Surgery (BUMED) promulgated fact sheets on mold and mold sampling and directed health providers to be sensitive to housing-related health concerns and to participate in keeping residents informed.

Reestablishing Active & Engaged Leadership

Over the past year our primary focus was to engage our leaders as active participants in the privatized housing program. We cannot outsource this responsibility. Since that time, Navy and Marine Corps leaders achieved 100% contact with all Sailors and Marines to inquire about on-base housing concerns and offer a home visit. Every Navy and Marine Corps installation also held town halls with residents, and each installation now offers a combination of quarterly or monthly meetings to provide residents with information and access to installation and partner representatives.

Additionally, we have implemented structured training for leaders to help them better understand the DoN privatized housing program, specific housing conditions, and local procedures available to assist their Sailors and Marines. However, their responsibility does not end there. We have developed performance metrics to spot trends and help identify areas of concern before they escalate. Active leadership is a pre-requisite to rectifying housing concerns.

DoN leadership uses weekly meetings with the Secretary of Defense's Housing Task Force to share lessons and concerns with other military departments on PPV performance. We also maintain regular contact with our companies at the CEO level to address concerns, enhance oversight initiatives, strengthen communications, and seek resolution for our Service members and their families. Navy and Marine Corps leadership also participated in numerous Tri-Service working groups chaired and attended by the Service Secretaries, and three Military Housing Privatization Initiative (MHPI) partnering sessions sponsored by the Office of the Secretary of Defense (OSD) and an OSD-sponsored workshop with our partners focused on National Historic Preservation Act compliance to efficiently manage resources.

We are equally committed to improving housing for all Sailors and Marines in on-base and government-owned housing, not just those in PPV facilities under MHPI. Residents of accompanied housing and government-owned or government-leased family housing overseas also received command contact and Resident Satisfaction Surveys. Our Housing Offices will continue to track the completion of all maintenance work orders and safety concerns, regardless of whether those issues are in PPV housing, barracks, or government-owned or leased housing overseas.

All residents now have the ability to submit and track the status of their service requests via a mobile application provided by their PPV Partners. Key features of the app are the ability to take photos of maintenance issues and to receive up-to-the-minute updates on service status. Residents are also able to complete satisfaction surveys on the quality of repairs through an app.

To better track work order data and measure performance against benchmarks in real time, we developed a PPV Performance Dashboard Suite displaying family housing performance information for each echelon - from the installation and regional level to the enterprise level, as well as in alignment with project-specific requirements. DoN Leadership now has access to view each agreement's maintenance performance data with the ability to drill down to the individual housing unit via an Electronic Data Warehouse (EDW), updated on a bi-weekly basis. Installation and Region Housing Offices can now pull work order data directly from partner maintenance systems in order to perform monthly review of electronic maintenance records, monitor performance by neighborhood, and to conduct spot-checks with residents to confirm work is complete. Later this year, we will transition to an automated process to allow leadership to view integrated Navy and Marine Corps data, refreshed on a daily basis.

Reinforcing Oversight

The Navy and Marine Corps significantly improved project oversight over the last six months. DoN Military Housing Privatization Initiative (MHPI) partners are now assessing standardized metrics related to work order timeliness and quality, a primary area of concern highlighted by our residents. We are also re-evaluating Housing Condition Assessments and

Program Review processes, updating policies, procedures, roles and responsibilities, and implementing lessons learned on an ongoing basis.

We are revising the PPV Project Performance Incentive Fee Structure, consistent with OSD policy issued in October 2019. To ensure the incentive fee structure incorporates the voices of our Sailors, Marines, and their families, and emphasizes quality, Resident Satisfaction and Maintenance Management will be weighted 40% and 35%, respectively within the metric upon which the amount awarded is assessed. Resident satisfaction will be determined by resident move-in surveys and resident work order surveys, in addition to the annual resident satisfaction survey. Maintenance Management will measure change of occupancy maintenance, work order quality and responsiveness as well as preventative maintenance.

We are also focusing significant attention on the long-term financial health of our individual PPV agreement to ensure the sustainment of quality housing over the life cycle of the partnership. We are acutely aware that the actions being taken today by the partners to address immediate resident concerns will have a long-term impact on the ability of project revenue to support future investments in the homes. The DoN established the Office of Public Private Partnership (PPP) Reviews to provide the Secretary a review of the long-term financial viability of the agreements with housing partners to drive measurable and accountable results. Our goal with this review is to ensure our partners will continue to be able to meet their commitments to sustain modern, safe, attractive housing for our residents.

The PPP team will review Public Private Venture (PPV) financial documents from FYs 2014 through 2020, (1st Quarter) and budgets for future investments over the life cycle of

the agreements. The team will analyze partner financial data and economic activity; review partner compliance with financial and operating controls; review operational processes for efficiency and effectiveness; and identify risk and vulnerability areas.

Once the review is completed, business sensitive/proprietary reports will be issued to the Secretary. Additionally, the team will immediately notify the Secretary of any abnormal activities when identified. We will then use these reports to ensure existing agreements sustain long term investments in our housing inventory.

The DoN continues to work with the Naval Audit Service, the Office of the Department of Defense Inspector General, and the Government Accountability Office to review PPV project performance and processes. In the wake of the fraud allegations brought to light at Tinker Air Force Base, Oklahoma, we proactively assessed Navy and Marine Corps projects and found no similar circumstances. We will continue to investigate this concern. On November 6, 2019, the Naval Audit Service completed a formal audit of maintenance records and provided twelve recommendations, all of which are being implemented. In addition, we issued "Letters of Concern" to all of our partners requesting validation of all of their maintenance records and processes and have asked partners to report all anomalies or findings of interest. We directed Departmental Region and Installation Housing teams to conduct monthly reviews of electronic maintenance records and random spot-checks with families to confirm response and completion times reported by partners. We are also conducting historical reviews on partner maintenance data systems for anomalies that would indicate fraudulent data entry, such as unreasonably common service dates.

Furthermore, we conducted an independent review of PPV partner portfolios to evaluate housing maintenance records and their relationships to incentive fees in September 2019. We also provide information and updates to the Government Accountability Office to inform their report on Privatized Military Housing expected in March 2020. We anticipate that their recommendations will help us further improve our oversight efforts.

Moving Forward

The Department continues to carefully and deliberately manage its portfolio to advance Navy and Marine Corps readiness and to improve the quality of life for Sailors and Marines. While we can never be satisfied as long as quality, safety, and health issues persist among any of our housing solutions, we are confident in the significant progress made on near-term efforts to advocate for service members and their families, increase awareness of the problem resolution process, and increase involvement of the DoN government housing team. The revelations over the past year resulted in more rigorous awareness and oversight by the Department to protect our personnel. We must maintain momentum by continuing to open the lines of communication and improve collaboration between residents, Service leadership, and our PPV partners.

In the process of negotiating the congressionally enacted provisions for inclusion in existing agreements, we have identified major concerns with assigning responsibilities for the coverage of costs for personal property damage and mold exposure which may not be consistent with national housing policies. For mold, legal standards for environmental, health, and safety codes, and their associated requirements for credentialing, can vary

depending on the locality where the privatized housing project is located. It may be necessary to work with Congress to refine intent on the requirements to address mold exposure.

Our PPV partners are demonstrating a commitment to restore resident trust, implement improved maintenance and quality assurance, and track metrics at higher levels. We continue to work with those partners to ensure issues are being addressed in a timely manner. This involves ensuring all levels of the partner organizations, down to the neighborhood managers and repair technicians, are equally committed to providing outstanding customer service, quality workmanship, and accountability. We are particularly concerned with continued accounts of service discrepancies, particularly during the move in process, that place a burden on the residents to resolve. We are aware that hiring a skilled workforce can be difficult in this competitive economy, and we remain committed to working with the PPV partners to resolve issues.

The men and women who wear our uniform rightfully expect quality workmanship in their homes and the quick resolution of problems directly impacting their families. Both they and our partner employees want to be treated with courtesy and professionalism. We encourage our residents to work with the partners collaboratively to address concerns with the services being offered to maintain homes. Our residents continue to be our first line of quality assurance. We value their feedback and advocacy. We will not let up on our efforts until we see the quality of housing improve across the Nation from the perspective our military members and their families.

We appreciate the work of this Committee on this critical issue and your active involvement, oversight, and advocacy on behalf of our warriors. Thank you once again, and we look forward to your questions.